

Mary Cottrell
Secretary of the Department
One South Station, 2nd Flr.
Boston MA 02110

July 22, 2005

Docket # DTE 04-115 – Comments from PowerOptions Inc.

Dear Secretary Cottrell;

PowerOptions Inc. is a non-profit subsidiary of the Massachusetts Health and Educational Facilities Authority (HEFA) and administers a consortium of more than 350 non-profit institutions for the purchase of electricity in the retail market. While the largest volume of electricity purchased by our members is purchased through non-residential rate meters, most of our colleges, hospitals and cultural institutions have units on campus that purchase residential rate electricity, and many of the accounts of other members, such as group homes and facilities for the elderly are residential accounts. In fact, a recent tabulation of over 4,400 accounts under contract included over 1,560 residential accounts and over 1,650 small commercial accounts.

Many of our members currently include their residential meters in their HEFA contracts and we are concerned that they be able to continue that practice. We have been fortunate to be able to negotiate competitive rates for many of those residential meters as part of our program and we believe it is of significant interest to our members to see that residential rate electricity remains competitively available in the deregulated retail marketplace. We believe that allowing a competitive retail market to evolve for residential meters, particularly in the aggregated format similar to HEFA's program is the best way to offer stability, price and administrative simplicity to our members.

If a pricing program is adopted that produces Basic Service rates consistently at or below the competitive market rates (as observed now for several rate cycles) we believe such rates will eventually reduce market opportunity to the point that competitive suppliers may drop out of the retail market altogether. To avoid this we believe acquiring supply in a manner that reflects cost signals to the user as accurately as possible is the best approach. Ideally costs for Basic Service should at least mimic costs required of suppliers in the competitive market.

Not all HEFA members take their residential meter supply from our program. In instances where the market is such as to reflect advantageous purchase through Basic Service, some members have left, or returned, their residential accounts to Basic Service while moving their other accounts to the competitive market. In the long run, however, if Basic Service costs translate into the same prices as competitive supply it is likely consumers will opt to unify their usage in the perceived "safer" Basic Service market.

We do not believe there should be substantial costs added to Basic Service residential rates to simply elevate them to or above competitive pricing, but we do urge that they be developed to reflect true costs and send appropriate price signals to users.

Sincerely

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